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INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

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LAB-06 SIL-01 SAL-01 OMB-01 DODE-00 PM-09 H-02 L-03

NSC-10 PA-03 PRS-01 SS-15 USIA-12 RSR-01 /143 W

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R 031011 Z APR 73

FM AMCONSUL LAHORE

TO SECSTATE WASHDC 9515

INFO AMEMBASSY ISLAMABAD

AMCONSUL KARACHI

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E. O. 11652: N/A

TAGS: EGEN, EIND, PK

SUBJECT: PRESIDENT BHUTTO ADDRESSES LAHORE CHAMBER OF COMMERCE

REF: KARACHI 1121

BEGIN SUMMARY: ON APRIL 1, PRESIDENT BHUTTO ADDRESSED ANNUAL MEETING OF LAHORE CHAMBER OF COMMERCE AND INDUSTRY. TONE AND CONTENT OF SPEECH WAS CONCILIATORY TO BUSINESS COMMUNITY. IT WAS WELL RECEIVED BY CHAMBER MEMBERS BUT THERE IS SOME LINGERING UNEASINESS OVER FACT THAT BHUTTO PROMISED TO HOLD OFF FURTHER NATIONALIZATION ONLY UNTIL AFTER NEXT ELECTIONS. IN PREPARED SPEECH HE STUCK TO POINTS RAISED IN WELCOMING ADDRESS BY CHAMBER PRESIDENT, EXPLAINING DIFFICULTIES WITH SOME REQUESTS AND FAVORABLY RESPONDING TO OTHERS. END SUMMARY.

1. ON APRIL 1, PRESIDENT BHUTTO ADDRESSED ANNUAL DINNER OF LAHORE CHAMBER OF COMMERCE AND INDUSTRY ATTENDED BY SOME 1400 CHAMBER MEMBERS AND GUESTS (INCLUDING CHARGE AND CONGEN OFFICERS). WELCOMING SPEECH BY OUTGOING CHAMBER PRESIDENT TAJAMMAL HUSSAIN WAS OUTSPOKENLY FRANK IN PRESENTING VIEWS OF CHAMBER ON GOP
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POLICIES WHICH NEEDED TO BE INITIATED OR CHANGED. BHUTTO'S REPLY, WHICH HE READ FROM PREPARED TEXT, WAS EQUALLY FRANK. PRESIDENT STUCK TO THE POINTS RAISED BY HUSSAIN, IN MARKED CONTRAST TO HIS SEPTEMBER ADDRESS TO KARACHI CHAMBER WHEN HE LARGELY IGNORED PROBLEMS RAISED AND SPOKE EXTEMPORANEOUSLY AND AT LENGTH ON INTERNAL AND INTERNATIONAL POLITICS. FULL TEXTS OF BHUTTO'S AND HUSSAIN'S SPEECHES BEING FORWARDED VIA AIRGRAM.

2. BHUTTO FIRST REVIEWED HIS ECONOMIC ACCOMPLISHMENTS SINCE ASSUMING OFFICE, NOTING INCREASED STABILITY AND MORE REASSURING CONDITIONS. HE SAID PROJECTED GNP GROWTH RATE FOR FY73 WAS 5.4 PERCENT, COMPARED WITH 1.6 AND 1.7 IN TWO PRECEDING YEARS, AND EXPORTS EXPECTED RISE FROM \$597 MILLION IN FY72 TO \$645 MILLION IN FY73.

3. MIXED ECONOMY: OBSERVING THAT COUNTRY'S ECONOMIC RECOVERY IS RECOGNIZED ABROAD MORE FULLY THAN IN PAKISTAN, PRESIDENT ATTRIBUTED THIS TO CONFUSION BEING CREATED, PRUPOSELY OR OTHERWISE, ON NATURE OF MIXED ECONOMY CONCEPT. HE DECLARED MIXED ECONOMY BEING PRACTICED IN NEARLY ALL DEMOCRATIC SOCIETIES WITH VARIATIONS TAILORED TO INDIVIDUAL SOCIO-ECONOMIC CONDITIONS. PRIVATE ENTERPRISE EXISTED TO MAXIMIZE PROFITS AND WELFARE OF PEOPLE OFTEN LEFT TO CHANCE. THEREFORE, EVEN IN AMERICA, GOVERNMENT PLAYS IMPORTANT ROLE THROUGH MASSIVE LEGISLATION DESIGNED TO CURB ANTI-SOCIAL PROPENSITIES OF PRIVATE ENTERPRISE.

4. PRESIDENT SAID HIS GOVERNMENT COMMITTED NOT ONLY TO ERADICATE MASS POVERTY BUT ALSO TO PROVIDE EQUAL OPPORTUNITIES FOR ALL CITIZENS, INSURE PROGRESSIVE REDUCTION IN EXISTING SOCIAL AND ECONOMIC INEQUALITIES, AND BRING ABOUT RAPID ECONOMIC GROWTH WITH BALANCED REGIONAL AND SECTORAL DEVELOPMENT. EXPERIENCE IN PAKISTAN AND REST OF WORLD HAS SHOWN THESE GOALS CANNOT BE REACHED THROUGH "LAISSEZ FAIRE" PHILOSOPHY.

5. GOP DID NOT BELIEVE IN TOTALLY NATIONALIZED, CENTRALIZED AND DIRECTED ECONOMY. IT HAD SO FAR LIMITED PUBLIC SECTOR ACTIVITIES TO FIELDS VITAL TO ECONOMY, AREAS WHERE PRIVATE SECTOR NOT FORTHCOMING, AND WHERE THERE DANGER OF CONCENTRATION OF ECONOMIC POWER ASSUMING UNHEALTHY PROPORTIONS. PUBLIC SECTOR ROLE HAS LIMITED OFFICIAL USE

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THUS BEEN MORE COMPLEMENTARY THAN COMPETITIVE. CONTROL OF 31 UNDERTAKINGS WAS TAKEN OVER TO PREVENT ANY ENTREPRENEUR OR GROUPS FROM ATTAINING DOMINANT POSITION WHICH COULD BE USED

AGAINST PUBLIC INTEREST.

6. FUTURE NATIONALIZATION PLANS: ALTHOUGH IT DID NOT APPEAR FULLY IN OFFICIAL TEXT RELEASED TO PRESS, BHUTTO SHOWED SOME ANNOYANCE AT CHAMBER PRESIDENT'S EXPRESSED CONCERN ON CONTRADICTION STATEMENTS ON NATIONALIZATION MADE BY HIGH GOP OFFICIALS. BHUTTO SAID HE HIMSELF HAD STATED PLAINLY THAT GOP HAD NO INTENTION OF TAKING OVER FURTHER INDUSTRIES AT THIS TIME AND ASKED CHAMBER MEMBERS TO BELIEVE HIM, NOT HIS FINANCE OR INFORMATION MINISTERS. CONTINUED QUESTIONING OF HIS MINISTERS WAS INSULTING TO GOVERNMENT. HE THEN SAID FLATLY THAT HE WOULD GUARANTEE NO MORE TAKEOVERS OR NATIONALIZATION MOVES UNDER PRESENT CIRCUMSTANCES BEFORE NEXT ELECTIONS.

7. STABILITY: BHUTTO SAID HE GLAD TO SEE CHAMBER RECOGNIZED POLITICAL STABILITY WAS NECESSARY FOR ECONOMIC AND SOCIAL GROWTH. ESTABLISHMENT OF ELECTED GOVERNMENT WAS IMPORTANT STEP IN THIS DIRECTION. PRESIDENT PROMISED PERMANENT CONSTITUTION DESIGNED TO STABILIZE POLITICAL LIFE, ENSURE CIVILIAN SUPREMACY (OVER ARMED FORCES), AND CEMENT NATIONAL SOLIDARITY BY APRIL 21. BHUTTO RECEIVED BY FAR HIS GREATEST APPLAUSE AFTER THIS STATEMENT.

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8. BHUTTO THEN PROCEEDED TO POINT BY POINT REPLY TO PROBLEMS AND REQUESTS BROUGHT UP BY CHAMBER PRESIDENT, EXPLAINING NECESSITY OF SOME REFORMS AND LAWS WHICH CHAMBER OBJECTED TO, BRINGING OUT BUDGETARY DIFFICULTIES INVOLVED IN SOME REQUESTS, AND RESPONDING FAVORABLY TO OTHERS. HE SAID THAT CONSTRUCTION ON INLAND REFINERY IN PUNJAB WITH CAPACITY OF TWO MILLION TONS PER ANNUM TO BE SUPPLIED BY CRUDE OIL PIPELINE FROM KARACHI WOULD BEGIN NEXT YEAR. GOP FINANCE AGENCIES HAD ALREADY APPROVED 40 LOAN APPLICATIONS FOR INDUSTRIAL INVESTMENTS IN PUNJAB. GOP PLANNED TO INCREASE NUMBER OF COTTON TEXTILE SPINDLES FROM THREE TO FOUR MILLION BY 1976. MULTAN FERTILIZER FACTORY WAS TO BE EXPANDED. A 200 MW GAS TURBINE POWER GENERATOR WAS TO BE BUILT ON CRASH BASIS IN LYALLPUR. BHUTTO CLOSED BY ACKNOWLEDGING EXISTENCE OF PROBLEMS IN GENERIC NAMES DRUG PROGRAM AND EXPRESSING HOPE THEY WOULD BE SWIFTLY SOLVED.

9. COMMENT: OUTSTANDING FEATURES OF PRESIDENT'S ADDRESS WERE ITS RESPONSIVENESS AND ITS CONCILIATORY TONE AND CONTENT. WE HAVE SPOKEN TO BOTH OUTGOING AND INCOMING PRESIDENTS OF THE CHAMBER OF COMMERCE AND INDUSTRY AND FOUND BOTH OF THEM PLEASED WITH BHUTTO'S GENERAL ATTITUDE AS REFLECTED IN HIS LIMITED OFFICIAL USE

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SPEECH AND IN PRIVATE TALKS WITH THEM. THEY BOTH REPORTED THAT THEIR MEMBERS HAD ALSO REACTED FAVORABLY. THE SINGLE FLY IN OINTMENT WAS WHAT APPEARS TO BE RETROGRADE MOVEMENT IN BHUTTO'S PROMISES ON FURTHER NATIONALIZATION TAKEOVERS. IN KARACHI IN SEPTEMBER 1972 HE PROMISED NO MORE RADICAL REFORMS " DURING OUR LIFETIME", POSSIBLY MEANING SO LONG AS HE OR PPP REMAINED IN POWER (REFTEL). SINCE THEN HE HAS PROMISED NO FURTHER TAKEOVERS FOR FIVE YEARS. THIS TIME HE HEDGED HIS PROMISE WITH THE TERMS " UNDER PRESENT CIRCUMSTANCES" AND " UNTIL NEXT ELECTIONS"

SINCE MANY PEOPLE BELIEVE NEW ELECTIONS COULD TAKE PLACE THIS YEAR AFTER CONSTITUTION PROMULGATED, THERE IS FEELING IN SOME QUARTERS HERE THAT NEWEST PROMISE NOT ESPECIALLY ENCOURAGING TO PRIVATE INVESTMENT. NEVERTHELESS, OUR OVERALL ASSESSMENT IS THAT BHUTTO'S APRIL 1 LAHORE SPEECH HAS HELPED PROVIDE BUSINESS COMMUNITY WITH INCENTIVE TO STEP UP ALREADY QUICKENING PACE OF PRODUCTION AND COMMERCE.

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